Tells the Facts and Names the Names

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How Monica Lewinsky Saved Social Security

By Robin Blackburn

September 11 interrupted many political conspiracies in America, none more explosive than the long campaign to "reform" Social Security. And as with many other nefarious projects September 11 has placed the Bush team on far more favorable ground than the mire in which he found himself at the end of the summer, unable to balance the books without a raid on Social Security's famous "lock box", said term being rhetorical shorthand for a pledge not to use the surplus on the Social Security account for other purposes.

In these days of the Great War on Terror Bush doesn't have to worry about the sort of promises he was spouting on the campaign trail in 2000 when, four days before the election he told a crowd in Saginaw, Michigan, that protecting the Social Security trust fund was going to be one of his top priorities. The employee's Social Security taxes, he promised, were "only going to be spent on one thing – what they're meant for – Social Security. We're not going to let Congress touch them for any other reason."

This is no longer a pledge he needs to worry about breaking, and with the raiding of the lock box the fox's muzzle will be under the tent flap, with the "reformers" once again urging privatization, claiming that Social Security is always vulnerable in a crisis and that only if the savings are in individual accounts will they truly be safe, however implausible that may sound amid the downward plunges of the stock market.

The parties have come together in a proclaimed "spirit of unity" to back a stimulus program but all the signs are that it will be quite insufficient. At some point the Democrats will have to come up with a plan for restoring vigor to an economy which has thrown over a million people out of work this year. If they had the guts the Democrats could find one answer to this predicament by revisiting the Social Security debate of the late nineties, when Clinton not only coined the slogan "Save Social Security First", but also boldly proposed separating the trust fund from the Federal budget, allowing the trust fund to pursue an investment strategy of its own.

The precise sequence whereby Clinton made these astounding pirouettes from an earlier zeal for Bush-like "reform" is one of the more exciting political thrillers of the late Nineties, whose pivotal moment came in the idiom of light romantic opera, with Monica Lewinsky in the leading role.

Accounts by Clinton White House insiders this summer have made it clear that had it not been for her captivating smile and first inviting snap of that famous thong, President Bill Clinton would have consummated the politics of triangulation, heeding the counsel of a secret White House team and deputy treasury secretary Larry Summers. Late in 1998 or in the state of the union message of 1999 a solemn Clinton would have told Congress and the nation that, just like welfare, Social Security was near-broke, had to be "reformed" and its immense pool of capital tendered in part to the mutual funds industry. The itinerary mapped out for Clinton by the Democratic Leadership Committee would have been complete.

It was a desperately close run thing.

(**Social *Security*** *continued on page 6*)

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War Journal

Torture, Pro or Con?

Cluster bombs in Afghanistan, and here at home a cozy national debate on the merits of torturing Arabs. Thus does America maintain its moral edge against the Wahabbite fanatics. We listened to one amiable parlay on torture on CNN and heard Anne Coulter, Boadicea of the rabid right, dismiss thumbscrews and the rack as being altogether too namby pamby, as against "just getting rid of them". Besides, Coulter added, torture would not produce the requisite information.

If she'd been a little quicker on her toes, Coulter's opponent, Julianne Malveaux, would have agreed that of course torture wouldn't work on almost all the suspects picked up by the FBI because they know nothing anyway, being merely people with Arabic names and perhaps the misfortune of having some minor problem with their passports. At first we thought Malveaux was going to stick with the misguided tactic of skirting the moral issue (torture is wrong), but in the end she found her footing and pointed out, as we did here in CounterPunch in our last issue, that torture is not only a bad thing but staple fare in many US prisons.

Editors
Alexander Cockburn
Jeffrey St. Clair

Business Manager
Becky Grant

Design
Deborah Thomas

Counselor
Ben Sonnenberg

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CounterPunch
3220 N. St., NW, PMB 346
Washington, DC, 20007-2829
1-800-840-3683 (phone)
1-800-967-3620 (fax)
www.counterpunch.org

A few days after the Coulter/Malveaux debate on torture we heard Alan Dershowitz duking it out with Tim Lynch of the libertarian Cato Institute on the propriety of a national ID card, replete with fingerprints, DNA etc. The position of Dershowitz, self-proclaimed libertarian? He was all for the card, leaving to Cato's man the duty of stigmatizing the card as an intolerable assault on the Bill of Rights.

Many discussions of the post September 11 round-ups of Middle Easterners (near 1000) evoke the Palmer Raids. What actually happened back in the tumultuous year of 1919, also known as Red Summer. It was the year of the Chicago Black Sox scandal, dramatic strikes and bloody crackdowns by industry goons and cops, prohibition, the enactment of women's suffrage. The Chicago race riots started when whites tried to keep a group of blacks from using a beach on Lake Michigan, that lasted for five days and left 29 dead and nearly 300 wounded and maimed. And on top of all of this there was growing sentiment among working people and intellectuals in the US for the triumph of the Russian Bolsheviks, a trend that unnerved President Woodrow Wilson and his attorney general, Mitchell Palmer.

Wilson and Palmer whipped up the Red Scare to such a frenzy that Congress refused to seat Victor Berger, a socialist from Wisconsin who had been elected to the House of Representatives. In Palmer's notorious 1919 essay, The Case Against the Reds, he raged that "tongues of revolutionary heat were licking the altars of the churches, leaping into the belfry of the school bell, crawling into the sacred corners of American homes, seeking to replace marriage vows with libertine laws, burning up the foundations of society."

Then on June 2 bombs exploded in eight cities, including Washington, DC. Palmer was apparently a target and the DC blast partially destroyed his home. The bombs were most likely planted by anarchists, but Wilson and Palmer used the opportunity to target their political enemies, who were broadly denounced as Communists and sedition-minded immigrants.

The raids were launched without notice and without warrants. The homes of Leftists, recent immigrants and unionists were ransacked, literature seized, union offices ransacked and hundreds arrested and held without charges. Palmer saved his most vicious attacks for immigrants since he didn't have to trifle with constitutional rights. On January 2, 1920 more than 500 of Palmer's henchmen raided the homes and offices of suspected "communist agents. They detained 249 resident aliens, put on them on board the USS Buford and deported them to the Soviet Union. Among the deportees was Emma Goldman, who wrote about the affair in her autobiography.

But by the end of 1921 Palmer was in disgrace. He'd been denounced by members of congress, was tried and convicted of misappropriating government funds.

Sy's All-Seeing Predator

The usual bosh is getting into the press about the technological prowess of US weaponry as deployed against Afghanistan. In the New Yorker Seymour Hersh ran some amazing rubbish about the capabilities of the Predator unmanned reconnaissance vehicle. So did Thomas Ricks in the Washington Post, in a story titled "U.S. Army's Unmanned Aircraft/Revolution In Sky Above Afghanistan." The Predator is made by General Atomics, a San Diego-based company and each plane costs $25 million, which is a bargain in this day and age, though you don't get much for your money.

Hersh described a Predator operation over Afghanistan wherein the machine was supposedly "capable of beaming high-resolution images ....identified a group of cars and trucks fleeing the capital (Kabul) as a convoy carrying Mullah Omar, the Taliban leader....The Predator tracked the convoy to a building where Omar, accompanied by a hundred or so guards and soldiers, took cover." At this point the Predator's controllers could have directed it to fire its two "powerful" Hellfire missiles to eliminate the one-eyed Mullah Omar. But alas, a finicky military (CENTCOM JAG) lawyer was queried in "real time" and nixed the plan.

This is one hell of a remote controlled machine, if you believe Hersh's source. It was able to identify a "group of cars and trucks" as conveying Mullah Omar; to distinguish "guards" from "soldiers," and to target the building "where Omar [himself]...took cover." Quite obviously, Predator was able to distinguish the spe-

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cific signature of Mullah Omar's convoy (from any other conglomeration of "cars and trucks"); could tell the difference between "guards" from "soldiers," and, finally, recognized Mullah Omar himself.

Sniffing eagerly along the trail blazed by Hersh, the Washington Post's Ricks picked up on this event and characterized Predator's capabilities as "a revolutionary step in the conduct of warfare" and "a turning point in military history." The point was confirmed in the Post's article by "an expert in military strategy at John Hopkins" Eliot Cohen, who issued the solemn judgement that "this war is going to give you the revolution in military affairs."

Warning to CounterPunchers: whenever you hear the words "revolution in military affairs" be aware that the Brooklyn Bridge is on the auction block. Discussing the Hersh story a knowledgeable Hill staffer drew our attention to the Pentagon's unclassified "Operational Test & Evaluation Report" on the Predator from September 2001 (i.e., well before the articles). It highlighted many shortcomings such as "poor target location accuracy, ineffective communications, and limits imposed by relatively benign weather, including rain, that negatively impact missions."

To sum up: The best Predator sensor needs daylight and clear skies, and at operational ranges (15,000 to 30,000 feet) it can make gross distinctions between what type of vehicle it is looking at.

Now recall the Predator of Hersh and the Post's Ricks, distinguishing not only between just tanks and trucks but also between just anybody's car or truck and Mullah Omar's. They also had Mullah Omar himself driving around and running into buildings.

As one seasoned Hill staffer remarked apropos this flackery for the Predator: "During the course of this conflict, there will likely be more puff pieces on the wondrous capabilities of new (and some not so new) systems. Waiting for GAO or some other entity to show more than one side of the story can take an awfully long time - if indeed GAO or others get it right. We may need a real revolution in military affairs; we also need one on reporting military hardware capabilities."

ZALMAY KHALILZAD AND THE GREAT GAME

Long before September 11 riveted the world's attention on Afghanistan powerful interests in the US, notably the oil industry, had been promoting a new, aggressive strategy towards the Taliban . In the following fascinating report David Lloyd and Rick Berg give us the story.

One striking way to appreciate the evolution of US policy towards Afghanistan before September 11 is to focus on a man low in public profile but important in the current administration: the Afghani-American, Dr. Zalmay Khalilzad, a man who, in May, was appointed to the National Security Council as "Special Assistant to the President and Senior Director for Gulf, Southwest Asia and Other Regional Issues".

Like his mentor and colleague, the ultra-hawkish assistant secretary of defense Paul Wolfowitz, Khalilzad received his Ph.D. from the University of Chicago in 1979. No stranger to the White House, Khalilzad served under George Bush Senior in 1991-92 as Assistant Deputy Under Secretary of Defense for Policy Planning while Dick Cheney was Secretary of Defense. He had already done a stint from 1985 to 1989 at the Department of State as an advisor on the Iran-Iraq war and on the Soviet war in Afghanistan. He was a member of the recent Bush-Cheney transition team and, with Frank Carlucci and Robert Hunter, wrote the important Executive Briefing entitled "A Global Agenda for the U.S. President" in January 2001.

Between the two Bush administrations, he was Director of the Strategy, Doctrine and Force Structure Program of the RAND Corporation's Project Air Force. Among the projects on which he worked at RAND was an extensive volume by various authors on "infowar", which he co-edited with John White and to which he contributed a chapter on "Defense in a Wired World: Protection, Deterrence, and Prevention".

Khalilzad is also a prominent member of the Afghanistan Foundation, a think tank founded in 1996 by Pennsylvania Republican Don Ritter and which counts as its honorary co-chairmen General Brent Scowcroft and Zbigniew Brzezinski, Carter's Secretary of State, who recently gave valuable insight into the origins of U.S. Afghan involvement by boasting that the U.S. had lured the Soviet Union into its own Vietnam in that country. Among the Congressional Advisory Board to the Foundation are right-wing Republicans Dana Rohrabacher and David Dreier.

Khalilzad is clearly well-placed to influence administration policy in Afghanistan and Central Asia and, like so many members of the current "oiligarchy" including the President and Vice President and Chevron's Condoleezza Rice, has had his own connections with the oil industry, having served before joining RAND as a chief consultant to Unocal, one of the oil corporations that has sought to build a pipeline through Afghanistan. Not surprisingly, concern with oil has loomed large in Khalilzad's writings.

In the Bush-Cheney transition team's executive briefing, "A Global Agenda for the U.S. President", (of which Khalilzad was one of the three authors) sustaining and renovating U.S. military and diplomatic power in Asia and the Middle East is a prime concern, along with Defense Secretary Rumsfeld's project to modernize the military and undertake "a long-delayed transformation of American security strategy." The briefing recommends the maintenance of "forward bases in Asia to help provide stability in the region and prevent hegemony by any regional power"; pressurizing Pakistan to stop supporting the Taliban and to cooperate in the fight against terrorism; and considering whether "a regime change in Iraq is necessary to U.S. long-term goals."

In the briefing, rapprochement with Iran is regarded as a possibility that might offer "the opportunity to increase U.S. investment in Iran [and] to end U.S. opposition to an energy pipeline through Iran from Central Asia." Small wonder, perhaps, that among the long list of members endorsing the briefing were Norman R. Augustine, retired chairman and chief executive officer, Lockheed Martin; Robert Bates, former corporate secretary, Mobil Corporation; Frank Carlucci,

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listed here in his role as chairman of The Carlyle Group ; and Dave McCurdy, president of the Electronic Industries Alliance, along with a number of RAND executives.

In the January's executive briefing, Afghanistan played a minor role relative to Iran, Iraq and North Korea. Khalilzad's appointment to the National Security Council in May signaled Afghanistan's increasing importance in U.S. global policy. It was a shift long in preparation rather than one determined by any specific action on the part of the Taliban or other regional parties. For some time Khalilzad, through both RAND and the Afghanistan Foundation as well as in articles in policy journals, had been recommending a more vigorous engagement with the Taliban.

The 1999 Afghanistan Foundation white paper, "U.S. Policy in Afghanistan: Challenges and Solutions", of which Khalilzad was the primary drafter, argued that "Since the end of the Cold War, the United States has consistently underestimated its interests in Afghanistan…" and posed "the frightening possibility that Afghanistan is becoming another rogue state". The white paper stressed the high stakes: "Afghanistan itself occupies a vital geo-strategic position, near such critical but unstable regions as the Persian Gulf and the Indo-Pakistan border. Indeed, the importance of Afghanistan may grow in the coming years, as Central Asia's oil and gas reserves, which are estimated to rival those of the North Sea, begin to play a major role in the energy market. Afghanistan can serve as a trade link between Central and South Asia. Instead, Afghanistan has proven an obstacle to the development of the region: Afghanistan's leading exports to the area are drugs, arms and Islamic radicalism."

At this point, the authors of the 1999 white paper recommended "weakening and transforming the Taliban into a more moderate movement while laying out firm conditions that, if accepted by the Taliban, would lead to a U.S.-Taliban rapprochement." What is striking about the white paper as a document intended to inform and shape U.S. policy in the region is the tactful absence of any analysis whatsoever of previous U.S. involvement in the country, in particular on the U.S. role in creating the mujahiddeen and its collaboration with Osama Bin Laden. "Blowback" is not a word in Khalilzad's lexicon: to the contrary, Afghanistan's crucial role in bringing about the fall of the Soviet Union is regarded as "the greatest U.S. foreign policy triumph since World War II". We are spared the details of that policy.

According to a January 2001 U.P.I. story by Eli J. Lake, Khalilzad presented this draft to staff members of the House International Relations Committee and was "roundly rebuked by House staff for advocating what was considered an unrealistic and soft approach to the Taliban government". As a seasoned operator, Khalilzad rapidly trimmed his sails. His article in the Washington Quarterly for Winter 2000, which is based on the white paper, placed far heavier emphasis on the "consolidation" of Afghanistan as a "rogue state", no longer arguing for gradual transformation through engagement, but for immediate action: "Acting now is essential. The Taliban has consolidated its influence in Afghanistan over the last five years. Soon the movement will be too strong to turn away from rogue behavior."

Other factors influencing the need for "immediate action" include Moscow's "capitalizing" on instability in Central Asia, "portraying itself as the protector of Central Asia against the menace of Islamic fundamentalism". The article also placed considerably more emphasis on Bin Laden's presence and operations than did the 1999 white paper.

A minor change in the language of the paragraph on Afghanistan's geo-strategic importance, lifted almost verbatim from the 1999 white paper, is revealing of the consolidation of economic and strategic thinking. The last sentence of the paragraph now reads: "Instead, Afghanistan has proven an obstacle to the development of this region, as outside investors fear the strife that emanates from Afghanistan."

The article concluded that "More muscular forms of pressure are necessary to influence the Taliban". Of course we are now seeing "more muscular forms of pressure", though time has yet to tell whether they will lead to the subjugation of the Taliban. Action of this nature was implicitly point one of Khalilzad's recommendations in the winter 2000 Washington Quarterly article : "Change the balance of power." The other five points correspond quite precisely with the Administration's much publicized strategies since September 11, and some may have been less vociferously implemented at an earlier date: "Oppose the Taliban's ideology"; "Press Pakistan to withdraw its support"; "Aid the victims of the Taliban"; "Support moderate Afghans"; "Elevate the importance of Afghanistan at home". So striking are the correspondences, indeed, that it is sometimes hard to recall, reading the article now, that these recommendations were made while Clinton was still president.

Having served in Bush I, and the Reagan administration before that, Khalilzad returned to the White House under Bush II and there can be little doubt that his arguments have been significant in shaping current U.S. policy on Central Asia and Afghanistan, especially since he moved to a more hawkish position.

The point is not to imply that Khalilzad has single-handedly forged that policy. What is important to keep in mind is the continuity that he represents with former Republican administration strategies in the region, a fact that gives the lie to any supposition that the current war is simply a response to the terrorist actions of September 11.

Like so many members of the current "oiligarchy", Khalilzad has had his own connections with the oil industry.

Whether or not Bin Laden was responsible for that attack, a still unproven assumption, control of Afghanistan has been a long term objective of the most prominent National Security advisers of past and present Republican administrations, with all of whom Khalilzad has been closely associated. The body of Khalilzad's writings makes evident the "clear and present" importance of Afghanistan U.S. "geo-strategy". That nation is the gateway to Central Asia which has the largest unexploited oil reserves remaining in the world. Once again, "keeping the peace" will become the favored euphemism for war by other means and the threat of Islamic fundamentalism provides the perfect rationale for intervention.

As has become all too evident, the impact of this new and, we are promised, extended military campaign "against terrorism" will be felt not only in far away Central Asia but here in the United States. Preparation for an anti-terrorist domestic security state are well under way and if Khalilzad's advice is followed here also, we can expect an intensification of domestic "cyberwar" in the expectation of "an electronic Pearl Harbor".

As cyberwarfare evolves, given the potential for an attack on U.S. military or corporate electronic infrastructure by either terrorist groups or hostile states, we may ex-

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pect not only the familiar infringements of civil liberties, but the forging of new and closer ties between private corporations and government, "which owns and operates much of the critical infrastructure" and an international as well as national integration of cybernetic intelligence information. Automated surveillance is recommended as the means to approach the monumental task of gathering intelligence from the internet.

"Developing a comprehensive national strategy requires facing up to some serious legal, strategic, organizational policy challenges", Khalilzad argued in his RAND essay on infowar. "Currently DoD does not have the necessary legal standing to engage domestically in many of the activities that the prevention strategy is likely to require, especially the need to search private computer systems being used for information warfare." We may, no doubt, be sure that the effort will be made to junk the Posse Comitatus Act and ensure that it soon will.

Smearing McKinney

Terror-monger Steve Emerson is at it again. This time he has set his sights on smearing one of the most honorable members of Congress, Cynthia McKinney, the Georgia Democrat. The venue for his latest assault was an October 3 story in The Hill by Alexander Bolton, which tried to paint McKinney as a fundraiser for terrorists.

Bolton made a big deal out of the fact that McKinney was slated to give a talk at an October fundraising event for the Council on American-Islamic Relations, one of those relatively innocuous Washington NGOs that seeks to advance a more humane view of Muslims in the United States. Lately CAIR has been doing its best to dampen raging anti-Islamic sentiment in the US. These days that makes you a coddler of terrorists. And in the wake of the Ashcroft anti-Terrorism bill, anyone who helps raise for groups that nurture (however figuratively) terrorists is considered part of the conspiracy. The implication of Bolton's piece is that Cynthia McKinney may be in treacherous breach of the Patriot Act.

Bolton turns to Emerson in an effort to make CAIR appear to be nothing more than a frontgroup for suicide bombers. The Emersonian smear technique is infinitely elastic, using the flimsiest connections to stretch around the necks of people and organizations. In this instance, Emerson tries to tie CAIR to the Palestinian revolutionary group Hamas via a Babushka doll of nestled interlocks and organizations, starting with the Islamic Association of Palestine and extending to the United Association for Studies of Research or UASR. Emerson ominously describes USAR as "the political command of Hamas in the United States".

As evidence of this link, Emerson points his finger at Mohammed Nimer, currently CAIR's director of research, who once worked for UASR nearly a decade ago, and Anisa Abd el Fattah, UASR's public affairs director, who also sits on CAIR's board. These two are somehow suspect because a founding member of UASR, Dr. Mousa Abu Marzook, later became head of Hamas' political bureau in Jordan after leaving UASR.

As usual, Emerson's charges have all the accuracy of one of those Navy smart bombs that have destroyed a block of apartments in downtown Kabul as the result of "target processing error". Remember it was Emerson who rushed to CNN studios only moments after the Oklahoma City bombings to pronounce his conclusion that the bombing was the work of Arab terrorists.

But this time even Emerson is forced to throw in a subtle caveat, noting that none of the groups are "officially linked".

But this time even Emerson is forced to throw in a subtle caveat, noting that none of the groups are "officially linked". But that's okay, he says, because "their mutual origins show they were born of the same parent. They were ideologically tethered at birth and continue to be ideologically tethered. [To say they are not connected] is like saying families sprung from a Mafia family and sprout off into independence are no longer connected to the Mafia." Someone should send Emerson's criminal profiling by genealogy to Mayor Rudolf Giuliani, whose father was a Mafia street boss.

The fact that Steve Emerson is still considered an expert on terrorism is an amazing feat that must owe everything to his feverish allegiance to Israel. After all, he's rarely been right about anything. For example, Emerson blamed the 1993 World Trade Center bombing on "Yugoslavians". He charged that a "bomb" brought down TWA Flight 800. Even the New York Times found his book The Terrorist to be saturated with "factual errors" and corroded with "a pervasive anti-Arab and anti-Palestinian bias". The Jerusalem Post says that Emerson has often served as a conduit for Israeli intelligence.

McKinney is in some ways an odd target. After all, she voted for the war resolution and has condemned bin Laden and al-Qaeda. She tells us that the smears on her and CAIR are part of a campaign of "specious innuendo and fear-mongering".

"We mustn't repeat the grave mistakes of unfairly victimizing an entire religious or ethnic community, as was the case when we persecuted Japanese-Americans during World War II", McKinney says. It is unfair and to make blanket statements about these citizens and the organizations that lead their struggle for equality in the United States. That's the kind of work that CAIR is doing and that's why I was proud to speak at their fundraiser."

Kipling's Cheap Jezail

Web-proficient CounterPunchers following our very popular site will have been reading Patrick Cockburn's pithy dispatches to the British Independent from the Panjshir Valley in northern Afghanistan. Shortly before he left Afghanistan Patrick interviewed a local gunmaker who told him that the very first rifle he'd made, many years before, was a jezail. The jezail was a long-barreled, muzzle-loading weapon which by dint of its superior range and accuracy wrought fearful havoc among the British expeditionary forces of the mid-nineteenth century.

Patrick then quoted to the Afghan gunmaker Kipling's poem "Arithmetic on the Frontier": "A scrimmage in a Border Station—/ A canter down some dark defile—/ Two thousand pounds of education / Drops to a ten-rupee jezail—/ The crammer's boast, the Squadron's pride,/ Shot like a rabbit in a ride!"

The Afghan furrowed his brow. "Ten rupees? I don't think so. Even then, 100 rupees would have been the lowest price." Throughout the rest of the conversation he kept wagging his head incredulously at Kipling's sloppy command of the facts.

Patrick was being driven about the Panjshir valley in a truck recently captured from the Taliban, and rented to him with driver by the commander of the local militia. The commander noted that the rental supplied the rice to feed his unit. On the other hand, he himself was effectively immobilized, since the truck was what the Pentagon would no doubt describe as his command and control facility. CP

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(**Social Security** *continued from page 1*

On the recent account of members of Clinton's secret White House team mandated to map out the privatization path for Social Security they had gone as far down the road as fine-tuning the numbers for Social Security accounts scheduled for release to the captious mercies of Wall Street. But in 1998 the Lewinsky scandal burst upon the President, and as the months sped by and impeachment swelled from a remote specter to a looming reality, Clinton's polls told him that his only hope was to nourish the widespread popular dislike for the hoity-toity elites intoning Clinton's death warrant.

In an instant Clinton spun on the dime and became Social Security's mighty champion, coining the slogan "Save Social Security First."

Let us now reconstruct the plot in greater detail.

In the mid-1990s pessimism about the future of Social Security was rife in seminars, conferences, op-eds and learned papers by which elite consensus is fashioned. The media lent an eager ear to charlatanry from outfits like the Third Millennium which invented a supposed consensus amongst youth that the program would not be there for them when they came to retire – and that consequently their best bet was to take their FICA payments and put them in a private share account in soaraway Wall Street. Third Millennium released artfully contrived polls claiming to show that, for example, more young Americans believed in UFOs than in the future of Social Security. In fact the poll had no question linking the two propositions but this didn't stop lazy columnists and editorialists from picking it up along with kindred "findings" such that General Hospital would outlast the program or that a bet on the Super-bowl was a more rational use of money.

Third Millennium was, of course, a front for the privatization lobby. But it did tap into a vein of public anxiety and skepticism concerning Social Security finances and, with the stock market soaring upward, its Wall Street connections were an asset, not a liability. Whatever the exaggerations of the privatizers, the claim that an aging society would have to meet rising costs was not in itself wrong. The idea that "something must be done" was widespread and many expected that Clinton would follow up his capitulation to Republicans on welfare with a deal on Social Security. But he didn't, thanks to the zaftig young woman in a blue dress who caught his eye in 1995.

We have this on the authority of high-ranking members of the Clinton Treasury who gathered in Harvard this summer to mull over the lessons of the 1990s.

At that conclave it was revealed that on Clinton's orders a top secret White House working party had been established to study in detail the basis for a bipartisan policy on Social Security that would splice individual accounts into the program. Such was the delicacy of this exercise that meetings of the group were flagged under the innocent rubric "Special Issues" on the White House agenda.

What was in fact being prepared for the President was precisely that second dose of welfare reform, this time targeted on the very citadel of the New Deal, the Social Security program Roosevelt himself established.

The "Special Issues" secret team was set up by then-Deputy Treasury Secretary Larry Summers (later elevated to Treasury Secretary and now President of Harvard) and Gene Sperling, the head of the Council of Economic Advisers. The Deputy Treasury Secretary's fondness for schemes to privatize Social Security comes as no surprise. As Chief Economist of the World Bank in the early 1990s Summers had commissioned a notorious report, "Averting the Old Age Crisis", that argued that Merrill Lynch and Fidelity would be better at pension provision than any government. In fact governments should offer only a safety net and farm out their power to tax payrolls to private financial concerns which would run mandatory funded pensions on the Chilean model. The task of the Special Issues group was to find an installment of privatization that could reconcile realistic Republicans and Democrats, and be sold as still honoring most existing entitlements.

Participants at the recent Harvard conference conceded that severe technical problems beset efforts to introduce commercial practices. The existing program has low administration costs whereas running tens of millions of small investment accounts would be expensive. The secret White House team sought to finesse the problem by pooling individual funds and stripping down the element of choice or customer service. But Summers was unhappy: "Deputy Secretary Summers was fond of saying that we had to guard against the risk of setting up the Post Office when people were used to dealing with Federal Express" is how one Team member now recalls it. And pooled funds were also to be avoided because they would risk government control of business.

Some members of the team also worried that allowing employees the option of setting up their own accounts would soon turn into a "slippery slope", since the defection of the richest five or ten per cent of employees would soon undermine the program's ability to honor its commitments to existing retirees.

Nevertheless, under Summers' guidance, the secret team pushed forward. There were high hopes that the President would embrace what had by now become a detailed blueprint: "The working group's estimates were at the level of detail that it was determined how many digits an ID number would have to be for each fund and how many key strokes would therefore be required to enter all of the ID numbers each year."

Clinton was kept up to date with briefings every few weeks and in July 1998 attended one of the "Special Issues" meetings himself. But in that same month he was served with a grand jury subpoena. A month later he finally acknowledged a sexual relationship with Monica.

By the end of 1998 the secret team concluded with heavy hearts that the escalating Lewinsky affair might well doom all their efforts. The President was desirous to be seen doing something dramatic for Social Security, but not anything risky.

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Deputy Secretary Summers was fond of saying that we had to guard against the risk of setting up the Post Office when people were used to dealing with Federal Express.

It could be controversial, but controversial in the direction of doing more for the program not endangering it. As one team member put it this summer in the Harvard conclave: "Toward the end of 1998, as the possibility that the President would be impeached came clearly into view, the policy dynamic of the Social Security debate changed dramatically and it became clear to the White House that this was not the time to take risks on the scale that would be necessary to achieve a deal on an issue as contentious as Social Security reform."

So desperate was Clinton for an approach that would prove popular that he was even prepared to disappoint Wall Street. "The President decided to follow a strategy of trying to unite the Democrats around a plan that would strengthen Social Security by transferring budget surpluses to Social Security and investing a portion in equities."

In his 1999 State of the Union address Clinton seized the initiative from the privatizers with a bold new plan that gave substance to the "Save Social Security First" slogan. He proposed that 62 per cent of the budget surplus should be used to build up the Social Security trust fund. He promised to veto any attempt to divert Social security funds to other uses, and he urged that 15 per cent of the trust fund should be invested in the stock market not by individuals but by the Social Security Administration.

Part of the cunning of this approach was that it stole a Republican theme. While rejecting individualization it insisted that Social Security funds should not be spent on other programs or on tax cuts. Republicans had urged that Social Security taxes be placed in a "lock box" and soon Clinton himself was using the term. Not content with this, Clinton also offered public subsidies to Universal Savings Accounts that would be set up outside Social Security and not at its expense. This was a residue of the commercializing approach but it won few plaudits from the privatizers, as it was a voluntary add-on to a strengthened public program.

Federal Reserve chairman Alan Greenspan was willing to see the budget surplus pledged to Social Security but he denounced the plan to invest the trust fund in equities on the grounds that it would lead to government interference in business. A writer in the New York Times, January 25, 1999, warned that if the trust fund was allowed to invest in stocks and shares it would be impossible to prevent the politicization of investment: "The danger is that Congress will meddle, for example, steering funds into environmentally-friendly companies rather than, say, tobacco companies." The next day Milton Friedman contributed an excited piece to the Wall Street Journal warning that Clinton was embarked on a different type of slippery slope to that pondered by his secret team: "I have often speculated that an ingenious way for a socialist to achieve his objective would be to persuade Congress, in the name of fiscal responsibility, to (1) fully fund obligations under Social Security and (2) invest the accumulated reserves in the capital market by purchasing equity interests in domestic corporations." Clinton had promised that the trust fund would be insulated from political pressure and that only 15 per cent of the trust fund would be invested but Friedman was not at all convinced.

Clinton was also attacked for "double counting" when he pledged the budget surplus for Social Security. But accounts at the Harvard conference make clear that this concerned the pledge about the surplus aimed at separating the trust fund from the rest of the Federal budget. The proposal to allow the trust to hold a range of assets, not simply Treasury IOUs, would not only give Social Security real assets but would also create a powerful new lever of economic policy, something that Greenspan was jealously aware of.

Despite such attacks the Clinton plan as a whole went down very well with the American people. Republicans were swiftly moved to insist that they too would give priority to Social Security. Pessimism about the future of the program was replaced by a growing consensus that the program must be – and could be – saved. All that was needed was the will and a determination not to squander the trust fund.

Under the lash of the Lewinsky crisis, a President had issued a full-throated endorsement of the Social Security system. It was a terrible blow to a spectrum of opinion that stretched from the Cato Institute and Third Millennium to many New Democrats, including Senator Joseph Lieberman, who has proclaimed the need for individual accounts in the name of "choice". In his presidential campaign Al Gore, we should note, publicly opposed the idea of the Social Security trust fund holding a range of assets.

Bush's predicament over the trust fund is the more edgy because he wants to introduce individual accounts into Social Security and has set up his own Commission to work out the best way to deliver this taste of privatization. The Commission has not started well, being obliged to retract its interim announcement that Social Security is "broken". The White House website now features an explanation of the promised "reform" which fulsomely insists that all Social Security must be respected and that the private accounts

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will not be allowed to jeopardize them in any way.

The logic of Social Security was once memorably explained and defended in the late 1950s by Larry Summers' brilliant uncle Paul Samuelson. Compulsory social arrangements of this sort were, he explained, a necessary defense against greedy and short-sighted "free riders"; "if all but one obey, the one may gain selfish advantage by disobeying--which is where the sheriff comes in: *we* politically invoke force on *ourselves*… Once social coercion or contracting is admitted into the picture the …problem (of free riders) disappears." Samuelson was impelled to show that individualism needs collectivism: "That the Protestant ethic should have been instrumental in creating individualistic capitalism one may accept: but that it should stop there is not necessarily plausible… Let mankind enter into a Hobbes-Rousseau social contract in which the young are assured of their retirement subsistence if they will today support the aged, such assurance to be guaranteed by a draft on the yet unborn."

But by 1998 Samuelson's nephew, Larry Summers, was busy undermining the social contract between the generations and, as we have seen, it took young Lewinsky to give it extra breathing space. In the process the Clinton White House, mired in scandal, as it was, found itself exploring ideas of collective funding that went beyond the pay-as-you-go principles that Samuelson enunciated. If generations are of unequal size, and if the aging of the population gives rise to increased retirement or medical costs, then it becomes wise to introduce an element of pre-funding. Clinton and Gore eventually settled on a strategy of using such a fund to pay down the public debt and invoking the "lock box". But the papers at this summer's Harvard conference show that sooner or later pre-funding could not be confined to paying down the public debt, partly because surpluses might swallow it up in a few years and partly because it might not be feasible or advisable to do so.

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The Harvard papers are not the only evidence of new thinking on Social Security in the wake of the impeachment crisis. In another part of the Clinton White House an aide called Peter Orszag was working with Joseph Stiglitz, then Chief Economist at the World Bank, (and this year's recipient of the Nobel prize for economics) on a paper entitled "Rethinking Pension Reform: Ten Myths about Social Security Systems". This constituted a powerful critique of the earlier World Bank report commissioned by Summers. The paper, originally delivered in September 1999, has just been published in a book edited by Robert Holzman and Stiglitz, entitled "New Ideas About Old Age Security". Its whole thrust is to defend public provision and to explore forms of pre-funding that would assist this. Indeed the paper, several of whose points are born out by the difficulties encountered by Clinton's secret team, now give the opponents of privatization a potent weapon.

The collapse of the markets also meant that Bush and his Commission have a much harder task ahead of them. Flawed as it is, the case for privatization was superficially appealing during the heady days of the late-1990s bull market. Indeed its defeat at that time could turn out to have been decisive. On the other hand the economic downturn makes more relevant than ever the other prong of the original Clinton strategy, namely the idea that the Trust Fund should acquire its own assets. In a recession-hit economy these could include public bonds linked to investment in education or urban renewal, or they could involve injection of funds into sectors downcast by post-bubble blues. This would, it is true, go further than Clinton ever suggested – but it would be fully in the spirit of many left proponents of the original trust fund when it was added to the program in 1939 and it would be very well received by many sections of organized labor, such as the folks at the Heartland Alliance.

Future historians of Social Security will be able to intersperse their explanation of the intricacies of COLAS, bend points and IPEs with at least a paragraph on the political and intellectual consequences of Monica's beguiling smile. At a fraught moment she saved the day. CP

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